



LG&E Energy LLC
220 West Main Street (40202)
P.O. Box 32030
Louisville, Kentucky 40232

December 5, 2005

Case No. 2005-00517

Ms. Elizabeth O'Donnell
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40602

RECEIVED

DEC 05 2005

PUBLIC SERVICE
COMMISSION

**RE: Adjustments to Demand Side Management Cost Recovery Mechanism
for Kentucky Utilities Company – Case No. 2000-00459**

Dear Ms. O'Donnell:

Kentucky Utilities Company ("KU") files herewith an original and four copies of the following revised sheets of KU Tariff PSC No. 13:

Fourth Revision of Original Sheet No. 71.4
Third Revision of Original Sheet No. 71.5

This filing reflects revised Demand Side Management Cost Recovery Components as approved by the Commission in its Order of May 11, 2001, in the above-cited case. Four copies of the supporting data for the twelve month period ending December 31, 2005 are also filed herewith. The HEA Implementation Recovery component of DSMRC for Rate RS has been removed pursuant to the provisions in Case 2004-00303.

Sincerely,

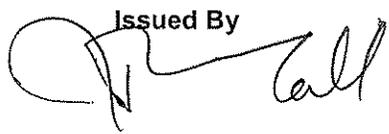
Robert M. Conroy
Manager, Rates

Enclosures



DSMRM		
Demand-Side Management Cost Recovery Mechanism		
APPLICABLE TO:		
Residential Service Rate RS, Volunteer Fire Department Service Rate VFD, General Service Rate GS, Small Time-of Day Rate STOD, Large Power Rate LP, and Large Commercial and Industrial Time-of-Day Rate LCI-TOD.		
<u>DSM Cost Recovery Component (DSMRC):</u>		
<u>Residential Service Rate RS and Volunteer Fire Department Service VFD</u>		<u>Energy Charge</u>
DSM Cost Recovery Component (DCR):	0.067 ¢/Kwh	R
DSM Revenues from Lost Sales (DRLS):	0.002 ¢/Kwh	
DSM Incentive (DSM):	0.003 ¢/Kwh	
DSM Balance Adjustment (DBA):	(0.025) ¢/Kwh	D
DSMRC Rate RS:	0.047 ¢/Kwh	R
<u>General Service Rate GS</u>		<u>Energy Charge</u>
DSM Cost Recovery Component (DCR):	0.021 ¢/Kwh	R
DSM Revenues from Lost Sales (DRLS):	0.006 ¢/Kwh	
DSM Incentive (DSM):	0.000 ¢/Kwh	
DSM Balance Adjustment (DBA):	(0.013) ¢/Kwh	
DSMRC Rate GS:	0.014 ¢/Kwh	R

Date of Issue: December 05, 2005
Canceling Third Revision of
Original Sheet No. 71.4
Issued March 30, 2005

Issued By


Date Effective: January 4, 2006

John R. McCall, Executive Vice President,
General Counsel, and Corporate Secretary
Louisville, Kentucky

DSMRM

Demand-Side Management Cost Recovery Mechanism

DSM Cost Recovery Component (DSMRC):
(Continued)

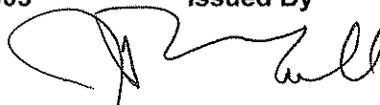
<u>Large Power Rate LP and Small Time-of-Day Service Rate STOD</u>	<u>Energy Charge</u>
DSM Cost Recovery Component (DCR):	0.004 ¢/Kwh
DSM Revenues from Lost Sales (DRLS):	0.001 ¢/Kwh
DSM Incentive (DSM):	0.000 ¢/Kwh
DSM Balance Adjustment (DBA):	0.000 ¢/Kwh
DSMRC Rate LP:	0.005 ¢/Kwh

<u>Large Commercial/Industrial Rate LCI-TOD</u>	<u>Energy Charge</u>
DSM Cost Recovery Component (DCR):	0.000 ¢/Kwh
DSM Revenues from Lost Sales (DRLS):	0.000 ¢/Kwh
DSM Incentive (DSM):	0.000 ¢/Kwh
DSM Balance Adjustment (DBA):	0.000 ¢/Kwh
DSMRC Rate TOD:	0.000 ¢/Kwh

Date of Issue: December 05, 2005
Canceling Second Revision of
Original Sheet No. 71.5
Issued March 30, 2005

Issued By

Date Effective: January 4, 2006



John R. McCall, Executive Vice President,
General Counsel, and Corporate Secretary
Louisville, Kentucky

KENTUCKY UTILITIES COMPANY

**Supporting Calculations for the
DSM Cost Recovery Mechanism**

ELECTRIC SERVICE

**Twelve-Month Period Beginning January 1, 2006
and Ending December 31, 2006**

Kentucky Utilities
 Summary of Total DSM Cost Recovery Component (DSMRC)
 12-Month Period Beginning January 1, 2006

Rate Schedule	DSM Cost Recovery Component (DCR) Exhibit AE	DSM Revenues From Lost Sales Component (DRLS) Exhibit BE	DSM Incentive Component (DSMI) Exhibit CE	DSM Balance Adjustment Component (DBA) Exhibit DE	DSM Recovery Component (DSMRC) Total
Residential Service RS	0.067	0.002	0.003	(0.025)	0.047 ¢/kWh
General Service GS	0.021	0.006	0.000	(0.013)	0.014 ¢/kWh
Rate LP (excludes industrial)	0.004	0.001	0.000	0.000	0.005 ¢/kWh

Kentucky Utilities
Summary of DSM Revenues from DSM Cost Recovery Component (DCR)
12-month Period Beginning January 1, 2006

Rate Schedule	Exhibit Reference	DSM Cost Recovery Total Amount	Estimated Billing Determinants	DSM Cost Recovery Component (DCR)
Residential Service RS	AE-1	\$ 4,137,809	6,143,919,970 kWh	0.067 ¢/kWh
General Service GS	AE-2	\$ 305,403	1,471,528,690 kWh	0.021 ¢/kWh
Rate LP (excludes industrial)	AE-3	\$ 174,186	4,910,241,712 kWh	0.004 ¢/kWh

KENTUCKY UTILITIES COMPANY
DSM Cost Recovery Component (DCR)
12-Month Period Beginning January 1, 2006

Program costs, which are categorized by residential, commercial, and industrial must be allocated to the individual rate schedules. The first step, allocation between gas and electric, and between LG&E and KU, is shown on page 3.

On page 4, the DSM Program costs are further assigned to the rate schedules, which is the second and final step of the cost allocation process.

The auxiliary Exhibits identified as AE-1 through AE-6 provide the specific analyses of program costs, revenue recovery, and billing determinants which are necessary to compute the DCR factors for each of the electric rate schedules.

DSM Budget Allocation by Rate Class for 2006

Exhibit AE

Page 3 of 4

Program	Allocation	2006
Total of All Programs		
LGE: R		3,655,333
LGE: RGS		1,049,689
LGE: GS		257,444
LGE: LC		174,186
LGE: LC-TOD		39,544
LGE: LP		-
LGE: LP-TOD		-
LGE: CGS		8,415
KU: RS		4,137,809
KU: FERS		-
KU: GS		305,403
KU: LP		174,186
KU: LCI-TOD		-
KU: HLF		-
Total		9,802,010
Residential Conservation		
LGE: R	37.5%	144,584
LGE: RGS	12.5%	48,195
KU: RS	50.0%	192,778
KU: FERS	0.0%	-
Total		385,556
Residential Load Mgmt.		
LGE: R	50.0%	3,361,753
KU: RS	50.0%	3,361,753
KU: FERS	0.0%	-
Total		6,723,506
Residential Low-Income		
LGE: R	7.0%	115,433
LGE: RGS	60.0%	989,429
KU: RS	33.0%	544,186
KU: FERS	0.0%	-
Total		1,649,049
Commercial Conservation		
LGE: GS	25.0%	208,156
LGE: LC	20.0%	166,524
LGE: LC-TOD	4.0%	33,305
LGE: CGS	1.0%	8,326
KU: GS	30.0%	249,786
KU: LP	20.0%	166,524
KU: LCI-TOD	0.0%	-
Total		832,619
Commercial Load Mgmt.		
LGE: GS	40.0%	46,562
LGE: LC	5.0%	5,820
LGE: LC-TOD	5.0%	5,820
KU: GS	45.0%	52,382
KU: LP	5.0%	5,820
KU: LCI-TOD	0.0%	-
Total		116,404
Industrial Lighting		
LGE: LP	0.0%	-
LGE: LP-TOD	0.0%	-
KU: LP	0.0%	-
KU: HLF	0.0%	-
Total		34,790
Program Develop and Admin.		
LGE: R	35.4%	33,563
LGE: RGS	12.7%	12,066
LGE: GS	2.9%	2,728
LGE: LC	1.9%	1,842
LGE: LC-TOD	0.4%	419
LGE: LP	0.0%	-
LGE: LP-TOD	0.0%	-
LGE: CGS	0.1%	89
KU: RS	41.2%	39,092
KU: FERS	0.0%	-
KU: GS	3.4%	3,236
KU: LP	1.9%	1,842
KU: LCI-TOD	0.0%	-
KU: HLF	0.0%	-
Total	100.0%	94,884

Kentucky Utilities
Allocation of DSM Program Costs to Rates

<u>ELECTRIC</u>	
Residential Rate RS	\$ 4,137,809
General Service Rate GS	\$ 305,403
Rate LP (excludes industrial)	\$ 174,186

KENTUCKY UTILITIES COMPANY

DSM Cost Recovery (DCR)
For Residential Rate RS
12-Month Period Beginning January 1, 2006

The total 2006 DSM Program Cost for Residential Rate RS is \$4,137,809 as determined on page 4 of Exhibit AE. This filing proposes to determine a DSM Cost Recovery (DCR) factor to be applicable for the period of January 1, 2006 through December 31, 2006. The DCR factor is calculated by dividing the total 2006 program cost for Rate RS by the January - December, 2006 forecasted Kwh sales as shown on page 2. The resulting DCR factor for Residential Rate RS is 0.067¢ per kWh.

Kentucky Utilities
Calculation of DCR Component For Rate RS

Forecast
kWh Sales

JAN 2006	767,000,010
FEB	603,328,000
MAR	538,579,990
APR	421,106,990
MAY	359,808,000
JUN	467,386,000
JUL	566,193,990
AUG	565,315,000
SEP	515,382,000
OCT	360,027,000
NOV	398,487,000
DEC	581,305,990
	<u>6,143,919,970</u>

Total Program Costs \$ 4,137,809

Revised DCR Factor in ¢ per kWh 0.067

KENTUCKY UTILITIES COMPANY

DSM Cost Recovery (DCR)
For General Service Rate GS
12-Month Period Beginning January 1, 2006

The total 2006 DSM Program Cost for General Service Rate GS is \$305,403 as determined on page 4 of Exhibit AE. This filing proposes to determine a DSM Cost Recovery (DCR) factor to be applicable for the period of January 1, 2006 through December 31, 2006. The DCR factor is calculated by dividing the total 2006 program cost for Rate GS by the January - December, 2006 forecasted Kwh sales as shown on page 2. The resulting DCR factor for Rate GS is 0.021 ¢ per kWh.

Kentucky Utilities
Calculation of DCR Component For Rate GS

Forecast
kWh Sales

JAN 2006	138,571,190
FEB	127,733,180
MAR	119,560,130
APR	114,532,140
MAY	109,200,160
JUN	117,257,100
JUL	131,241,170
AUG	132,060,200
SEP	131,710,130
OCT	111,747,080
NOV	112,233,080
DEC	125,683,130
	<u>1,471,528,690</u>

Total Program Costs \$ 305,403

Revised DCR Factor in ¢ per kWh 0.021

KENTUCKY UTILITIES COMPANY

DSM Cost Recovery (DCR)
For Light & Power Rate LP
12-Month Period Beginning January 1, 2006

The total 2006 DSM Program Cost for Light & Power Rate LP is \$174,186 as determined on page 4 of Exhibit AE. This filing proposes to determine a DSM Cost Recovery (DCR) factor to be applicable for the period of January 1, 2006 through December 31, 2006. The DCR factor is calculated by dividing the total 2006 program cost for Rate LP by the January - December, 2006 forecasted Kwh sales as shown on page 2. The resulting DCR factor for Rate LP is 0.004 ¢ per kWh.

Kentucky Utilities
Calculation of DCR Component For Rate LP

Forecast
kWh Sales (excludes industrial)

JAN 2006	401,557,276
FEB	396,511,146
MAR	387,357,421
APR	387,809,116
MAY	385,155,040
JUN	425,526,606
JUL	445,516,448
AUG	448,006,507
SEP	453,867,735
OCT	392,521,334
NOV	381,394,398
DEC	405,018,685
	<u>4,910,241,712</u>

Total Program Costs \$ 174,186

Revised DCR Factor in ¢ per kWh 0.004

Kentucky Utilities
Summary of DSM Revenues from Lost Sales Component (DRLS)
12-Month Period Beginning January 1, 2006

<u>Rate Schedule</u>	<u>DRLS</u>
Residential Rate RS	0.002 ¢/kWh
General Service GS	0.006 ¢/kWh
Rate LP (excludes industrial)	0.001 ¢/kWh

Kentucky Utilities
Summary of DSM Revenues from Lost Sales Component: DRLS
12-Month Period Beginning January 1, 2006

Rate Schedule	Exhibit Reference	Lost Net Revenues Total Amount	Estimated Billing Determinants (kWh)	DSM Revenues from Lost Sales Component (DRLS)
Residential Rate RS	BE-1	\$ 119,173	6,143,919,970	0.002 ¢/kWh
General Service GS	BE-2	\$ 81,419	1,471,528,690	0.006 ¢/kWh
Rate LP (excludes industrial)	BE-3	\$ 39,814	4,910,241,712	0.001 ¢/kWh

KENTUCKY UTILITIES COMPANY

DSM Revenues from Lost Sales (DRLS)
For Residential Rate RS
12-Month Period Beginning January 1, 2006

This filing computes Revenues from Lost Sales with a Lost Net Revenue methodology based on engineering estimates of DSM program energy reduction. Lost Net Revenue is calculated by multiplying the non-variable revenue requirement per kWh by the estimated annual reduction in customer usage as shown on page 2. The non-variable revenue requirement is the weighted average price per kWh of expected billings in 2006 under the energy charges contained in the Rate Schedule RS, after deducting the variable costs included in such energy charges.

The DRLS factor is calculated by dividing the total applicable lost net revenue amount for Rate RS by the January - December, 2006 forecasted Kwh sales as shown on page 3. The resulting DRLS factor for Rate RS is 0.002 ¢ per kWh.

Kentucky Utilities
Calculation of Lost Net Revenue for Rate RS

<u>Program Descriptions</u>	<u>Total Energy Savings (kWh)</u>	<u>Non-variable Revenue per kWh</u>	<u>Lost Net Revenue</u>
Residential Conservation	2,286,300	\$ 0.033	\$76,174
Residential Low-Income	1,290,577	\$ 0.033	\$42,999
Load Management	<u>-</u>	\$ 0.033	<u>\$0</u>
TOTAL PROGRAMS	3,576,877		\$119,173

Kentucky Utilities
Calculation of DRLS Component For Rate RS

Forecast
kWh Sales

JAN 2006	767,000,010
FEB	603,328,000
MAR	538,579,990
APR	421,106,990
MAY	359,808,000
JUN	467,386,000
JUL	566,193,990
AUG	565,315,000
SEP	515,382,000
OCT	360,027,000
NOV	398,487,000
DEC	581,305,990
	<u>6,143,919,970</u>

Total Lost Net Revenue \$ 119,173

Revised DRLS Factor in ¢ per kWh 0.002

KENTUCKY UTILITIES COMPANY

DSM Revenues from Lost Sales (DRLS)
For General Service Rate GS
12-Month Period Beginning January 1, 2006

This filing computes Revenues from Lost Sales with a Lost Net Revenue methodology based on engineering estimates of DSM program energy reduction. Lost Net Revenue is calculated by multiplying the non-variable revenue requirement per kWh by the estimated annual reduction in customer usage as shown on page 2. The non-variable revenue requirement is the weighted average price per kWh of expected billings in 2006 under the energy charges contained in the Rate Schedule GS, after deducting the variable costs included in such energy charges.

The DRLS factor is calculated by dividing the total applicable lost net revenue amount for Rate GS by the January - December, 2006 forecasted Kwh sales as shown on page 3. The resulting DRLS factor for Rate GS is 0.006 ¢ per kWh.

Kentucky Utilities
Calculation of Lost Net Revenue for Rate GS

<u>Program Descriptions</u>	<u>Total Energy Savings (kWh)</u>	<u>Non-variable Revenue per kWh</u>	<u>Lost Net Revenue</u>
Commercial Conservation	2,511,752	\$ 0.032	\$81,419
Load Management	-	\$ 0.032	\$0
	<hr/>		<hr/>
TOTAL PROGRAMS	2,511,752		\$81,419

Kentucky Utilities
Calculation of Lost Net Revenue for Rate GS

Forecast
kWh Sales

JAN 2006	138,571,190
FEB	127,733,180
MAR	119,560,130
APR	114,532,140
MAY	109,200,160
JUN	117,257,100
JUL	131,241,170
AUG	132,060,200
SEP	131,710,130
OCT	111,747,080
NOV	112,233,080
DEC	125,683,130
	<u>1,471,528,690</u>

Total Lost Net Revenue \$ 81,419

Revised DRLS Factor in ¢ per kWh 0.006

KENTUCKY UTILITIES COMPANY

DSM Revenues from Lost Sales (DRLS)
For Light & Power Rate LP
12-Month Period Beginning January 1, 2006

This filing computes Revenues from Lost Sales with a Lost Net Revenue methodology based on engineering estimates of DSM program energy reduction. Lost Net Revenue is calculated by multiplying the non-variable revenue requirement per kWh by the estimated annual reduction in customer usage as shown on page 2. The non-variable revenue requirement is the weighted average price per kWh of expected billings in 2006 under the energy charges contained in the Rate Schedule LP, after deducting the variable costs included in such energy charges.

The DRLS factor is calculated by dividing the total applicable lost net revenue amount for Rate LP by the January - December, 2006 forecasted Kwh sales as shown on page 3. The resulting DRLS factor for Rate LP is 0.001 ¢ per kWh.

Kentucky Utilities
Calculation of Lost Net Revenue For Rate LP

<u>Program Descriptions</u>	<u>Total Energy Savings (kWh)</u>	<u>Non-variable Revenue per kWh</u>	<u>Lost Net Revenue</u>
Commercial Conservation	1,577,194	\$ 0.02524	\$39,814
Load Management	-	\$ 0.02524	\$0
TOTAL PROGRAMS	1,577,194		\$39,814

Kentucky Utilities
Calculation of Lost Net Revenue For Rate LP

		Forecast kWh Sales
JAN	2006	401,557,276
FEB		396,511,146
MAR		387,357,421
APR		387,809,116
MAY		385,155,040
JUN		425,526,606
JUL		445,516,448
AUG		448,006,507
SEP		453,867,735
OCT		392,521,334
NOV		381,394,398
DEC		405,018,685
		<u>4,910,241,712</u>
		4,910,241,712

Total Lost Net Revenue \$ 39,814

Revised DRLS Factor in ¢ per kWh 0.001

KENTUCKY UTILITIES COMPANY

DSM Revenues from Lost Sales (DRLS)
For Large Commercial & Industrial Power Time-of-Day Rate LCI-TOD
12-Month Period Beginning January 1, 2006

Not currently applicable.

Kentucky Utilities
Summary of DSM Incentive Component (DSMI)
12-Month Period Beginning January 1, 2006

Rate Schedule	Exhibit Reference	DSM Incentive Total Amount	Estimated Billing Determinants	DSM Incentive Component (DSMI)
Residential Rate RS	CE-1	\$ 168,088	6,143,919,970 kWh	0.003 ¢/kWh
General Service GS	CE-2	\$ 2,619	1,471,528,690 kWh	0.000 ¢/kWh
Rate LP (excludes industrial)	CE-3	\$ 291	4,910,241,712 kWh	0.000 ¢/kWh

KENTUCKY UTILITIES COMPANY

DSM Incentive Component (DSMI)
For Residential Rate RS
12-Month Period Beginning January 1, 2006

This filing proposes to compute a DSMI factor based on all three of the residential programs. The proposed factor consists of two incentive components: Education and Load Control Programs, and Energy Impact Programs. The two programs excluding Load Control are "Energy Impact Programs," and the incentive amounts are computed as 15% of the net present value benefits (i.e., the difference between the 20 year avoided cost savings and the 2006 program costs). For the Load Control Program the incentive is computed as 5% of program costs, as shown on page 2. Programs which indicate a negative difference are considered to have a zero benefit for purposes of computing the incentive.

The DSMI factor is calculated by dividing the total 2006 incentive amount for Rate RS by the January - December, 2006 forecasted Kwh sales as shown on page 3. The resulting DSMI factor for Residential Rate RS is 0.003 ¢ per Kwh .

Kentucky Utilities
Calculation of Rate RS Incentives

	<u>Net Present Value</u>		<u>Benefits</u>	<u>15% of Benefits</u>	<u>Incentive</u>
	<u>Avoided Costs</u>	<u>Program Costs</u>			
<u>Energy Impact Programs</u>					
Residential Low-income	\$ 179,025	\$ 357,651	\$0	\$ -	\$ -
Residential Conservation	\$ 161,234	\$ 347,735	\$0	\$ -	\$ -
Load Management ¹		\$ 3,361,750		\$ 168,088	\$ 168,088

¹ Unlike other energy impact programs, the incentive for Load Management is 5%.

Total Energy Impact Programs Incentive \$ 168,088

Total Programs Incentive \$ 168,088

Kentucky Utilities
Calculation of DSMI Component For Rate RS

Forecast
kWh Sales

JAN	2006	767,000,010
FEB		603,328,000
MAR		538,579,990
APR		421,106,990
MAY		359,808,000
JUN		467,386,000
JUL		566,193,990
AUG		565,315,000
SEP		515,382,000
OCT		360,027,000
NOV		398,487,000
DEC		581,305,990
		6,143,919,970

Total Incentive \$ 168,088

Revised DSMI Factor in ¢ per kWh 0.003

KENTUCKY UTILITIES COMPANY

DSM Incentive Component (DSMI)
For General Service Rate GS
12-Month Period Beginning January 1, 2006

The proposed DSM Incentive Component (DSMI) factor for General Service Rate GS is 0.000 ¢ per Kwh. Although \$2,526 was allocated to the electric function, dividing this amount by the Kwh sales resulted in a value of zero, when rounded to three decimal places.

This filing proposes to compute a DSMI factor based on both of the commercial programs. The proposed factor consists of two incentive components: Education and Load Control Programs, and Energy Impact Programs. The program excluding Load Control is an "Energy Impact Programs," and the incentive amounts are computed as 15% of the net present value benefits (i.e., the difference between the 20 year avoided cost savings and the 2006 program costs). For the Load Control Program the incentive is computed as 5% of program costs, as shown on page 2. Programs which indicate a negative difference are considered to have a zero benefit for purposes of computing the incentive.

The DSMI factor is calculated by dividing the total 2006 incentive amount for Rate GS by the January - December, 2006 forecasted Kwh sales as shown on page 3. The resulting DSMI factor for General Service Rate GS is 0.000 ¢ per Kwh.

Kentucky Utilities
Calculation of Rate GS Incentives

	<u>Net Present Value</u>			<u>15% of Benefits</u>	<u>Incentive</u>
	<u>Avoided Costs</u>	<u>Program Costs</u>	<u>Benefits</u>		
<u>Energy Impact Programs</u>					
Commercial Conservation	\$ 294,156	\$ 376,640	\$0	\$ -	\$ -
Load Management ¹		\$ 52,380		\$ 2,619	\$ 2,619
					Total Programs Incentive \$ 2,619

¹ Unlike other energy impact programs, the incentive for Load Management is 5%.

Kentucky Utilities
Calculation of DSMI Component For Rate GS

Forecast
kWh Sales

JAN	2006	138,571,190
FEB		127,733,180
MAR		119,560,130
APR		114,532,140
MAY		109,200,160
JUN		117,257,100
JUL		131,241,170
AUG		132,060,200
SEP		131,710,130
OCT		111,747,080
NOV		112,233,080
DEC		125,683,130
		1,471,528,690

Total Incentive \$ 2,619

Revised DSMI Factor in ¢ per kWh 0.000

KENTUCKY UTILITIES COMPANY

DSM Incentive Component (DSMI)
For Light & Power Rate LP
12-Month Period Beginning January 1, 2006

The proposed DSM Incentive Component (DSMI) factor for Rate LP is 0.000 ¢ per Kwh. Although \$ 281 was allocated to the electric function, dividing this amount by the Kwh sales resulted in a value of zero, when rounded to three decimal places.

This filing proposes to compute a DSMI factor based on both of the commercial programs. The proposed factor consists of two incentive components: Education and Load Control Programs, and Energy Impact Programs. The program excluding Load Control is an "Energy Impact Programs," and the incentive amounts are computed as 15% of the net present value benefits (i.e., the difference between the 20 year avoided cost savings and the 2006 program costs). For the Load Control Program the incentive is computed as 5% of program costs, as shown on page 2. Programs which indicate a negative difference are considered to have a zero benefit for purposes of computing the incentive.

The DSMI factor is calculated by dividing the total 2006 incentive amount for Rate LP by the January - December, 2006 forecasted Kwh sales as shown on page 3. The resulting DSMI factor for Rate LP is 0.000 ¢ per Kwh.

Kentucky Utilities
Calculation of Rate LP Incentives

	Net Present Value			Benefits	15% of Benefits	Incentive
	Avoided Costs	Program Costs				
<u>Energy Impact Programs</u>						
Commercial Conservation	\$ -	\$ -		\$0	\$ -	\$ -
Load Management ¹		\$ 5,820			\$ 291	\$ 291
Total Programs Incentive						\$ 291

¹ Unlike other energy impact programs, the incentive for Load Management is 5%.

Kentucky Utilities
Calculation of DSMI Component For Rate LP

Forecast
kWh Sales

JAN	2006	401,557,276
FEB		396,511,146
MAR		387,357,421
APR		387,809,116
MAY		385,155,040
JUN		425,526,606
JUL		445,516,448
AUG		448,006,507
SEP		453,867,735
OCT		392,521,334
NOV		381,394,398
DEC		405,018,685
		<u>4,910,241,712</u>

Total Incentive \$ 291

Revised DSMI Factor in ¢ per kWh 0.000

KENTUCKY UTILITIES COMPANY

DSM Incentive Component (DSMI)
For Large Commercial & Industrial Rate LCI-TOD
12-Month Period Beginning January 1, 2006

Not applicable at this time.